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SUBJECT: ENERGY, IMMIGRATION, AND INNOVATION: EU HEADS OF  
STATE OR GOVERNMENT MEET IN LAHTI

¶1. (U) The EU Heads of State or Government on 20 October met in Lahti, Finland to discuss external energy relations, immigration, and technological innovation. In press statements throughout the day, the Finnish EU presidency sought to portray the EU as united on these difficult issues, but public comments by other attending officials cast doubt on the Finnish assessments.

#### EXTERNAL ENERGY RELATIONS: DEALING WITH RUSSIA

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¶2. (U) The issue of the day, despite an agenda full of other items, was energy security probably due to the impending dinner with Russian President Putin (septel). Finnish PM Vanhanen, speaking for the Presidency, announced that it was time for the EU to negotiate a legally-binding document to spell out EU-Russia energy relations based in the principles of market rules, non-discriminatory access, reciprocity, and transparency. The EU, at the same time, must also begin energy conservation initiatives to reduce consumption in the near future. Commission President Barroso, both in the formal press conference and in an informal session afterward, stressed that Russia is not the long-term energy answer for the EU and that home-grown and renewable sources must be developed hand-in-hand with better conservation.

¶3. (U) The first fissures in EU unity appeared in the energy discussion. While Vanhanen and Solana noted the links between energy and foreign policy, Barroso and French PM Chirac separately stated that the EU's energy relationship with Russia had become too politicized. Chirac went as far as saying that the EU does not mix business and values. Vanhanen also mentioned the possibility of a single price for EU energy while Barroso and others stressed the need for market principles to be applied. While it is clear that the leaders endorsed the broad outline of an agreement suggested by the Finnish presidency, it is also clear they are still far apart on the necessary details of that arrangement.

#### AFRICA AND MIGRATION

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¶4. (U) EU immigration policy was also discussed over the working lunch and subsequent meetings. Vanhanen stated that immigration is not just a southern European problem, but an EU wide issue. He continued that the solution to immigration problems lay in a cooperative relationship with African nations to address the roots of illegal immigration. In separate statements, Chirac went further, opining that immigration anywhere in the Schengen countries is an issue for every other Schengen country. He called on the EU to develop a comprehensive policy for African development, noting that the African continent's population is growing but its industrial and agricultural capacity is not keeping pace, making immigration (whether legal or illegal) more attractive. British Prime Minister Tony Blair did give a presentation on the situation in Sudan, but it was not extensively discussed in press conferences or with local interlocutors.

INNOVATION: ADDRESSING EDUCATION AND BUSINESS

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15. (U) The EU Presidency had earlier announced plans for a European Institute of Technology, a network of programs to stimulate scientific research and improve standards for research and development in an effort to close the gap with the US. In addition, Vanhanen stressed the need to adopt a comprehensive IPR strategy and harmonized patent applications across the EU; however, the patent plan in particular was announced and agreed to in 1997 with little forward action since. Barroso echoed the Presidency's concerns, noting that the EU is losing innovative possibilities to the US because of the time and cost necessary to apply for EU patents.

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